

Creative Commons Corporation

Financial Statements

Year Ended December 31, 2011

Creative Commons Corporation

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CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA

Bruce J. Wright, CPA

Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

Independent Auditors' Report

Board of Directors
Creative Commons Corporation

We have audited the accompanying Statement of Financial Position of Creative Commons Corporation (a nonprofit organization) as of December 31, 2011, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated May 3, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons Corporation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "David O. LLP".

April 26, 2012

Creative Commons Corporation
Statement of Financial Position
December 31, 2011
(With Comparative Totals at December 31, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,600,454	\$ 2,509,272
Grants Receivable	4,079,667	1,717,563
Contributions and Other Receivables	162,922	140,213
Prepaid Expenses	<u>72,552</u>	<u>43,859</u>
Total Current Assets	<u>7,915,595</u>	<u>4,410,907</u>
NONCURRENT ASSETS		
Grants Receivable	2,315,819	1,519,000
Investments	2,088	3,149
Security Deposit	85,395	7,105
Property and Equipment - Net	<u>100,391</u>	<u>17,407</u>
Total Noncurrent Assets	<u>2,503,693</u>	<u>1,546,661</u>
Total Assets	<u>\$ 10,419,288</u>	<u>\$ 5,957,568</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 788,989	\$ 34,642
Accrued Expenses	<u>102,303</u>	<u>141,288</u>
Total Liabilities	<u>891,292</u>	<u>175,930</u>
NET ASSETS		
Unrestricted	852,823	1,078,121
Temporarily Restricted	<u>8,675,173</u>	<u>4,703,517</u>
Total Net Assets	<u>9,527,996</u>	<u>5,781,638</u>
Total Liabilities and Net Assets	<u>\$ 10,419,288</u>	<u>\$ 5,957,568</u>

Creative Commons Corporation
Statement of Activities
Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
REVENUE AND GAINS				
Foundation Grants	\$ 116,066	\$ 9,212,374	\$ 9,328,440	\$ 618,112
Contributions	256,664	157,760	414,424	734,335
In-Kind Contributions	135,614		135,614	166,581
Contracts	21,081		21,081	185,791
Foreign Currency Translation (Loss)	(1,398)		(1,398)	(846)
Net Realized and Unrealized Gain (Loss) on Investments	(1,061)		(1,061)	227
Other Income	83,946		83,946	9,960
	<u>610,912</u>	<u>9,370,134</u>	<u>9,981,046</u>	<u>1,714,160</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of Program Restrictions	<u>5,398,478</u>	<u>(5,398,478)</u>	<u>-</u>	<u>-</u>
Total Revenue and Gains	<u>6,009,390</u>	<u>3,971,656</u>	<u>9,981,046</u>	<u>1,714,160</u>
EXPENSES				
Program Services	4,844,156		4,844,156	2,692,404
Supporting Services				
Management and General Expenses	721,768		721,768	574,600
Fundraising Expenses	362,764		362,764	357,333
Total Expenses	<u>5,928,688</u>	<u>-</u>	<u>5,928,688</u>	<u>3,624,337</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEM	80,702	3,971,656	4,052,358	(1,910,177)
Write-off of Receivables	<u>(306,000)</u>	<u>-</u>	<u>(306,000)</u>	<u>-</u>
CHANGE IN NET ASSETS	(225,298)	3,971,656	3,746,358	(1,910,177)
NET ASSETS, BEGINNING OF YEAR	<u>1,078,121</u>	<u>4,703,517</u>	<u>5,781,638</u>	<u>7,691,815</u>
NET ASSETS, END OF YEAR	<u>\$ 852,823</u>	<u>\$ 8,675,173</u>	<u>\$ 9,527,996</u>	<u>\$ 5,781,638</u>

Creative Commons Corporation
Statement of Functional Expenses
Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Program Services					Supporting Services					2010 Total Expenses
	Culture	Education	International/ Affiliates	Legal	Science	Technology	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
\$	169,440	\$ 369,809	\$ 246,463	\$ 203,853	\$ 342,135	\$ 225,034	\$ 1,556,734	\$ 338,123	\$ 163,683	\$ 501,806	\$ 2,077,238
Payroll Taxes	12,196	26,619	17,741	14,673	24,627	16,198	112,054	24,338	11,782	36,120	165,481
Employee Benefits	21,826	47,637	31,748	26,259	44,072	28,988	200,530	43,555	21,085	64,640	244,289
	203,462	444,065	295,952	244,785	410,834	270,220	1,869,318	406,016	196,550	602,566	2,487,008
Contract Services		1,253,530	78,852		6,500		1,338,882			1,338,882	-
Consulting and Design	217,066	43,277	154,131	15,882	98,448	45,895	574,699	63,365	54,628	117,993	239,254
Travel and Conferences	37,919	82,760	55,156	45,620	76,567	50,361	348,383	75,669	36,631	112,300	316,869
Occupancy	21,587	47,113	31,399	25,971	43,588	28,668	198,326	43,077	20,853	63,930	99,564
Legal Fees	13,241	28,899	19,260	15,930	26,736	17,585	121,651	26,423	12,791	39,214	176,949
Moving Expenses	13,075	28,536	19,018	15,730	26,401	17,365	120,125	26,091	12,631	38,722	-
Board Cultivation & Meetings	5,614	12,253	8,166	6,754	11,336	7,456	51,579	11,203	5,423	16,626	68,205
Special Events	4,247	9,270	6,178	5,110	8,576	5,641	39,022	8,475	4,103	12,578	15,845
Insurance	3,787	8,266	5,509	4,556	7,647	5,030	34,795	7,558	3,659	11,217	32,694
Telephone	2,362	5,155	3,435	2,842	4,769	3,137	21,700	4,713	2,282	6,995	20,834
Publicity and Communication	2,218	4,841	3,226	2,669	4,479	2,946	20,379	4,426	2,143	6,569	19,114
Supplies	1,989	4,340	2,893	2,393	4,016	2,641	18,272	3,968	1,921	5,889	14,735
Accounting Fees							-	21,883	21,883	22,125	22,125
Depreciation	1,775	3,873	2,581	2,135	3,583	2,358	16,305	3,541	1,714	5,255	17,740
Professional Services	1,697	3,704	2,468	2,042	3,426	2,254	15,591	3,386	1,639	5,025	22,342
Website Development and Hosting	1,160	2,531	1,687	1,395	2,342	1,540	10,655	2,314	1,120	3,434	16,414
Licenses & Fees	1,058	2,310	1,540	1,273	2,137	1,406	9,724	2,112	1,023	3,135	12,859
Technology	1,038	2,265	1,509	1,248	2,095	1,378	9,533	2,071	1,002	3,073	13,198
Bank Charges	838	1,830	1,219	1,009	1,693	1,113	7,702	1,673	810	2,483	8,109
Bank Charges	724	1,580	1,053	871	1,462	962	6,652	1,445	699	2,144	7,796
Printing	612	1,337	891	737	1,237	813	5,627	1,222	592	1,814	7,441
Training		860	573	474	795	523	3,619	786	380	1,166	6,346
Membership and Dues	394	880	573	474	795	523	3,619	786	380	1,166	6,346
Recruiting		384	256	212	355	234	1,617	351	170	521	7,997
Total Expenses	\$ 536,039	\$ 1,992,979	\$ 696,952	\$ 399,638	\$ 749,022	\$ 469,526	\$ 4,844,156	\$ 721,768	\$ 362,764	\$ 1,084,532	\$ 5,928,688
											\$ 3,624,337

Creative Commons Corporation
Statement of Cash Flows
Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,746,358	\$ (1,910,177)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation	21,560	17,740
Donated Investments	-	(2,922)
Net Realized and Unrealized (Gain) Loss on Investments	1,061	(227)
(Increase) Decrease in Operating Assets		
Grants Receivable	(3,158,923)	2,025,615
Contributions and Other Receivables	(22,709)	262,038
Prepaid Expenses	(28,693)	(12,321)
Security Deposit	(78,290)	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable	754,347	(10,888)
Accrued Expenses	(38,985)	17,692
Net Cash Provided by Operating Activities	<u>1,195,726</u>	<u>386,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(104,544)</u>	<u>(17,253)</u>
Net Cash (Used) by Investing Activities	<u>(104,544)</u>	<u>(17,253)</u>
NET INCREASE IN CASH	1,091,182	369,297
CASH, BEGINNING OF YEAR	<u>2,509,272</u>	<u>2,139,975</u>
CASH, END OF YEAR	<u>\$ 3,600,454</u>	<u>\$ 2,509,272</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2011

1. Organization

Creative Commons Corporation (Creative Commons) is a Massachusetts charitable corporation that develops, supports, and stewards legal and technical infrastructure that maximizes digital creativity, sharing, and innovation. Creative Commons' vision is to realize the full potential of the Internet – universal access to research and education, participatory culture, and driving the next era of development, growth, and productivity. Existing copyright laws were established long before the emergence of the Internet, and can make it difficult to legally “do things” we take for granted on the network: copy, paste, edit source, and post to the Web. Because it can be expensive and burdensome to secure legal permission to use a copyrighted work published to the Web, Creative Commons provides a set of free copyright licenses and public domain tools that enable everyone, from individual creators to large companies and institutions, a simple, standardized way to grant copyright permissions to their creative work. Creative Commons' public domain tools allow creators to waive all rights to a work and place it in the public domain, or to mark a work that is already in the public domain as such.

Creative Commons plays an instrumental role in furthering scientific research and innovation by enabling open access journals and the open exchange of scientific data. The world's largest Open Access publishers use Creative Commons' licenses to publish their content online. Creative Commons' licenses and public domain tools are also used to make data and databases freely available. The CC0 public domain dedication tool is used to remove copyright restrictions that could otherwise limit the dissemination and reuse of scientific and government data in the taxonomic, energy, genomics, disease research, geospatial, polar, and biometric disciplines.

Creative Commons also provides the legal framework for Open Educational Resources (OER), free resources that are developed by institutions, communities, and individuals to further universal access to education. Creative Commons-licensed OER, such as textbooks and lesson plans, are easy to find, easy to share, and easy to customize and combine. Creative Commons' licenses enable collaboration on linguistic and cultural translations of quality educational resources for use around the world. Creative Commons is also developing software and metadata standards to improve search and discovery of educational resources.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2011
(Continued)

1. Organization (continued)

Creative Commons' licenses and tools have been developed in consultation with legal experts and Creative Commons affiliate institutions in over 70 jurisdictions. Over 500 million Creative Commons-licensed works have been published by their authors on the Internet. Creative Commons is a major player in the "free culture," "open access," "open education," and "open government" environments worldwide.

2. Summary of Significant Accounting Policies

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – Creative Commons is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, Creative Commons considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable – No allowance for doubtful accounts is considered necessary since the receivables relate primarily to foundations and corporations.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2011
(Continued)

2. **Summary of Significant Accounting Policies (continued)**

Contributions Receivable – Unconditional receivables are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional receivables are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. No allowance for uncollectible receivables has been recorded based on management's evaluation of collections.

Investments – Investments, consisting of nationally traded securities, with readily determinable fair values are stated at fair value in the statement of financial position.

Property and Equipment – Creative Commons capitalizes all expenditures for property and equipment in excess \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Restricted and Unrestricted Revenue – Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a donor-specified restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

Donated Services – The financial statements reflect \$135,614 for donated legal services to evaluate ongoing tax, trademark, and copyright implications of its new programs and existing services.

Fair Value of Financial Instruments – The carrying amount of cash, grants receivable, contributions and other receivables, prepaid expenses, security deposit, accounts payable, and accrued liabilities, none of which are held for trading purposes, approximate the fair value due to the short-term maturities of those instruments.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2011
(Continued)

2. **Summary of Significant Accounting Policies (continued)**

Income Taxes – Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3). Creative Commons qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Creative Commons recognizes the effect of income tax positions only if those positions are more than not to be sustained. Management continuously evaluates tax positions reflected in the Creative Commons' tax filings and does not believe that any material uncertain tax positions exist.

The Organization's returns for the years ended December 31, 2009, 2010, and 2011 are subject to examination by federal and state taxing authorities for three years (four for state) after they are filed.

Functional Allocation of Expenses – Costs of providing programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated to the programs and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Comparative Totals – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Creative Commons' financial statements for the year ended December 31, 2010 from which the summarized information was derived.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2011
(Continued)

3. Concentration of Credit Risk

Creative Commons maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Moreover, the Organization's banks take part in the FDIC's Transaction Account Guarantee Program, which provides unlimited deposit insurance coverage for non-interest bearing accounts until December 31, 2012. At December 31, 2011, the Organization had no uninsured cash balances.

4. Grants Receivable

Grants Receivable includes the following unconditional promises to give:

Total Temporarily Restricted Promises to Give	\$ <u>6,395,486</u>
Receivable in less than one year	\$ 4,079,667
Receivable in one to five years	<u>2,315,819</u>
Total unconditional promises to give	<u>6,395,486</u>
Net unconditional promises to give at December 31, 2011	\$ <u>6,395,486</u>

Promises to give receivable in more than one year are discounted at .25%, when material.

5. Property and Equipment

Computer Equipment	\$ 127,826
Furniture and Equipment	41,575
Leasehold Improvements	<u>84,314</u>
Subtotal	253,715
Less: Accumulated Depreciation	<u>(153,324)</u>
Property and Equipment – Net	\$ <u>100,391</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2011
(Continued)

6. Temporarily Restricted Net Assets

Restricted as to purpose and time:

Support for DOL Trade Adjustment Act grantees	\$ 5,654,322
Education	1,572,869
Learning Resource Metadata Initiative	405,438
Science Commons	233,299
OER Technology Development and Strategic Policy	226,685
General Support	120,707
Research and Development in Education	105,612
Digital and Media Learning	99,892
Open Education Strategy	75,000
OER Video Competition	59,092
Executive Director Coaching and Board Development	57,723
OER Policy Registry	31,385
OER Webinar	18,485
Open Collaboration Research Project	<u>14,664</u>

Total \$ 8,675,173

7. Operating Leases

Creative Commons leases office space and office equipment under non-cancelable operating leases expiring through May 2016. The office space in San Francisco was subleased effective April 1, 2011 and expires April 15, 2012, concurrent with the master lease. For the year ended December 31, 2011, total rent expense under the leases was \$251,016.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2011
(Continued)

7. Operating Leases (continued)

Minimum future lease payments are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Gross</u>	<u>Sublease</u>
2012	\$ 297,159	\$ 28,693
2013	279,004	-
2014	289,043	-
2015	298,445	-
2016	<u>177,660</u>	<u>-</u>
Total	\$ <u>1,341,311</u>	\$ <u>28,693</u>

8. Pension Plan

Creative Commons has a Tax Sheltered Annuity under IRC 403(b), which allows all employees to contribute through payroll deductions. Discretionary contributions made during the year ending December 31, 2011 totaled \$98,817.

9. Subsequent Events

Management has evaluated subsequent events through April 26, 2012, the date which the financial statements were available to be issued and determined that no reportable events occurred.